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RESEARCH PRODUCTS

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Dukascopy Bank Sentiment Index

Summary

- The six-month and three-year global economic expectations worsened in August, a Dukascopy Bank SA poll showed. The six-month economic sentiment index fell 0.06 to 0.53. The three-year economic outlook declined 0.01 to 0.65.
- The European six-month economic outlook slid 0.01 to 0.41. The three-year economic prospects improved to 0.56, from 0.51 in July when they deteriorated 0.07.
- The North American economic outlooks also worsened. The six-month economic sentiment index retreated 0.05 to 0.66 and the three-year economic outlook fell to 0.71, the lowest level in 10 months.
- The Asia-Pacific six-month economic expectations tumbled 0.12 to 0.53, the lowest reading since November 2011. The three-year sentiment index declined to 0.69 from 0.73 in July.

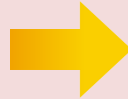




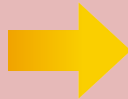


Parameter/ Region	Global	Europe	North America	Asia- Pacific
Six-month economic outlook	 0.53 ↓(0.06)	 0.41 ↓(0.01)	 0.66 ↓(0.05)	 0.53 ↓(0.12)
Three-year economic outlook	 0.65 ↓(0.01)	 0.56 ↑(0.05)	 0.71 ↓(0.02)	 0.69 ↓(0.04)

Figure 1: Mood indicator

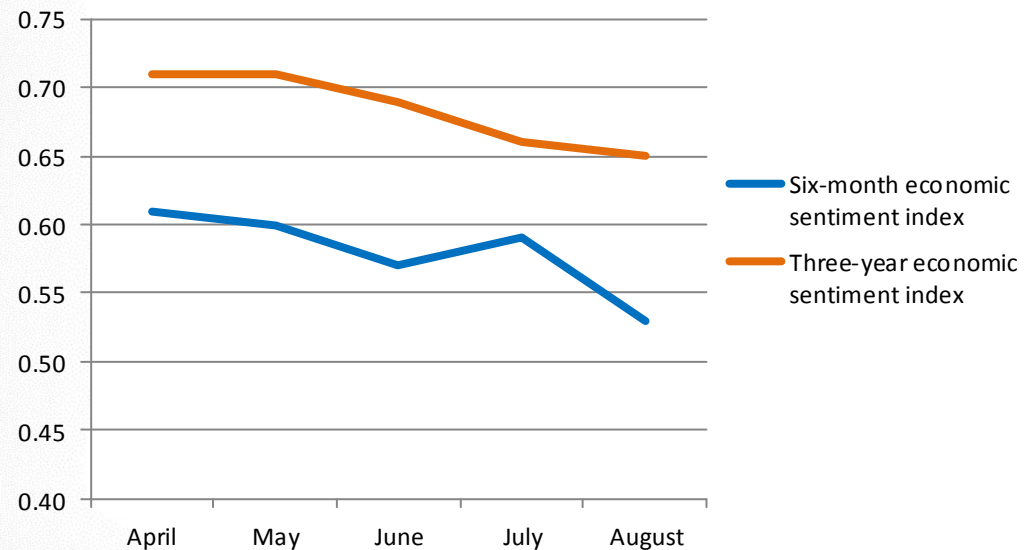


Figure 2: Global economic sentiment index

Economic outlook (term structure)

Parameter/Region	Europe		North America		Asia-Pacific	
	DBSI	Growth f.	DBSI	Growth f.	DBSI	Growth f.
6-month economic outlook	0.41 ↓(0.01)	-0.10%	0.66 ↓(0.05)	1.17%	0.53 ↓(0.12)	2.70%
3-year economic outlook	0.56 ↑(0.05)	0.90%	0.71 ↓(0.02)	1.87%	0.69 ↓(0.04)	3.73%

Figure 3 presents the term structure of the Dukascopy Bank Sentiment Index (Y-axis) mapped against GDP growth forecasts made by poll respondents (X-axis). Overall, DBSI values and GDP growth forecasts match directionally, suggesting the global economy will perform better three years from now.

Poll respondents suggest that the European economy will contract an annualized 0.10% in the next six months and will expand 0.90% three years from now.

Respondents revised the North American six-month and three year economic growth forecasts to 1.17% and 1.87% in August, from 1.87% and 2.34% respectively in July.

The Asia-Pacific economic sentiment remains subdued, despite strong growth projections (compared to other regions). Experts forecast growth of 2.70% and 3.73% six months and three years from now respectively.

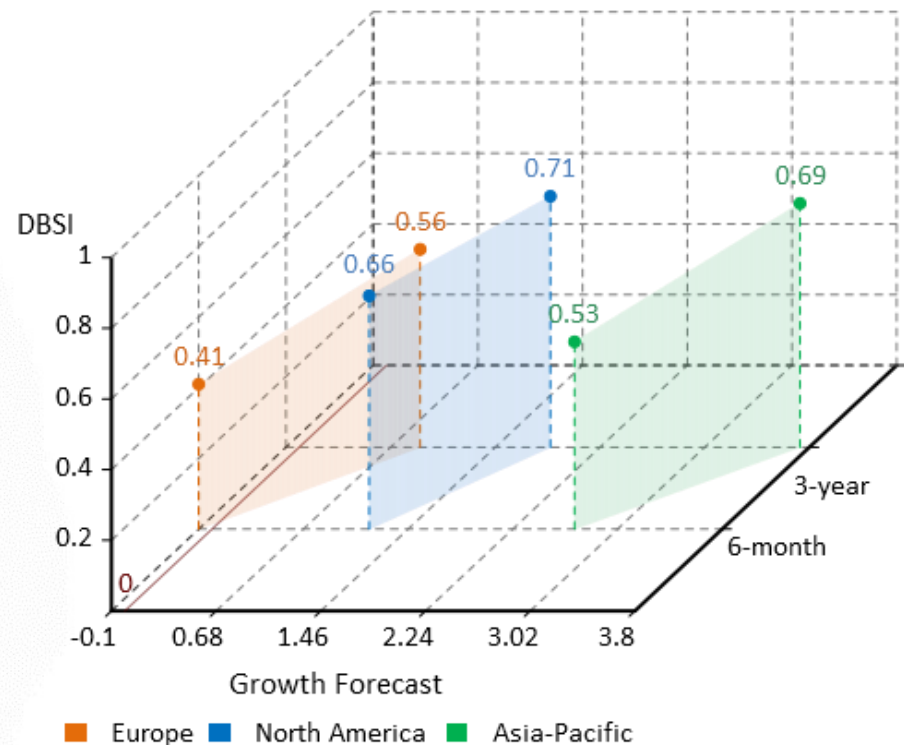


Figure 3: Global economic outlook (term structure)

Economic development stages

Parameter/Region	Europe		North America		Asia-Pacific	
	6-month EDS	3-year EDS	6-month EDS	3-year EDS	6-month EDS	3-year EDS
Contraction	10	4		3	6	2
Recessionary Trough	12	6	6	2	4	2
Expansion	8	20	24	24	20	25
Business Peak				1		1

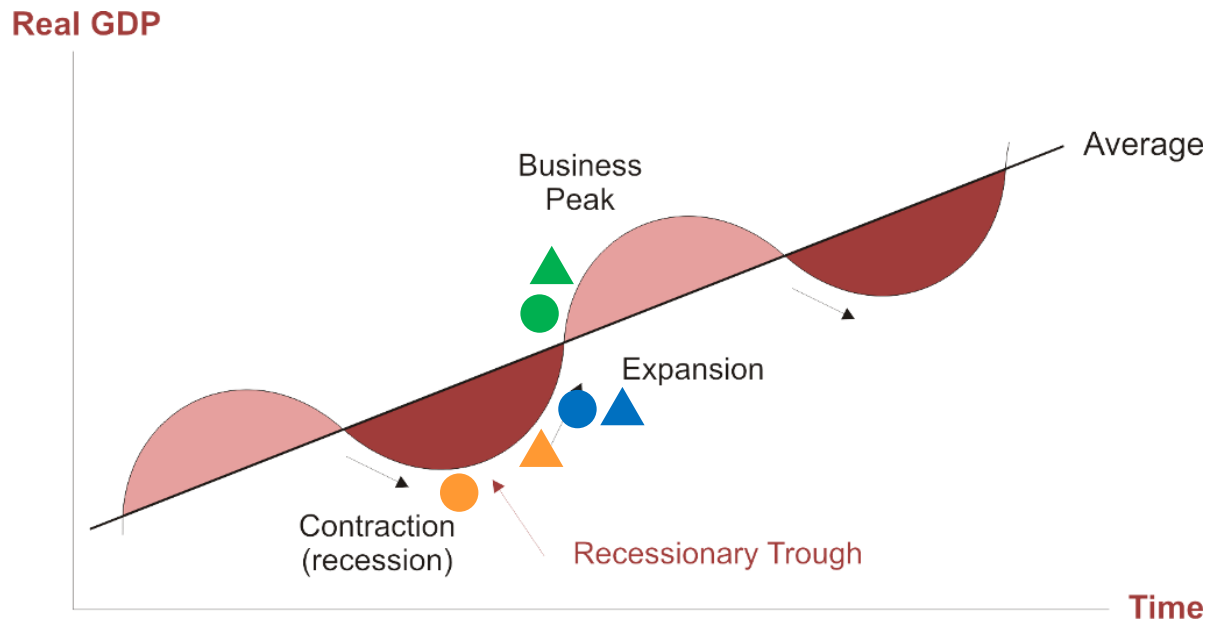


Figure 4: Business cycle

- 6-month EDS for North America
- ▲ 3-year EDS for North America

Figure 4 presents the business cycle and its phases - expansion (real GDP is increasing), peak (real GDP stops increasing and begins decreasing), contraction or recession (real GDP is decreasing), and trough (real GDP stops decreasing and begins increasing).

More than a half of the respondents (22) suggest the European economy is in a recession. Twenty claim that the economy will be expanding three years from now.

Experts from academia are largely united about North America economic development stages - twenty four say that the regional economy will be expanding both six months and three years from now.

Experts are united about the Asia-Pacific 3-year EDS - 25 experts forecast expansion, 1 say the economy will reach its peak and 4 claim the economy will slide into a recession.

Six-month economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.50	0.50	0.75	0.50
Mean (DBSI)	0.53 ↓(0.06)	0.41 ↓(0.01)	0.66 ↓(0.05)	0.53 ↓(0.12)
Mode	0.75	0.50	0.75	0.25
Standard Deviation	0.24 ↓(0.03)	0.21 ↓(0.02)	0.17 ↓(0.04)	0.27 ↓(0.01)

Figure 5 shows the six-month economic outlook for Europe, North America, and Asia-Pacific. The global six-month economic sentiment index declined to 0.53, the lowest level since December 2012.

The European six-month economic sentiment index slid 0.01 to 0.41. Thirteen respondents (43%) are pessimistic about the economic outlook, fourteen (47) say the outlook is “neutral” and only three (10%) claim the outlook is “positive”.

The North America six-month economic prospects also worsened. The sentiment index decreased 0.05 to 0.66 - twenty experts (66%) claim the outlook is “fairly” or “definitely” positive and eight (27%) suggest the economic outlook is “neutral”.

The Asia-Pacific sentiment index plunged to 0.53 from 0.65 in July with experts being strongly divided about the six-month outlook. Twelve respondents (40%) are either “fairly” or “definitely” positive about the six-month economic outlook, while eleven (36%) suggest prospects are either “fairly” or “definitely” negative.

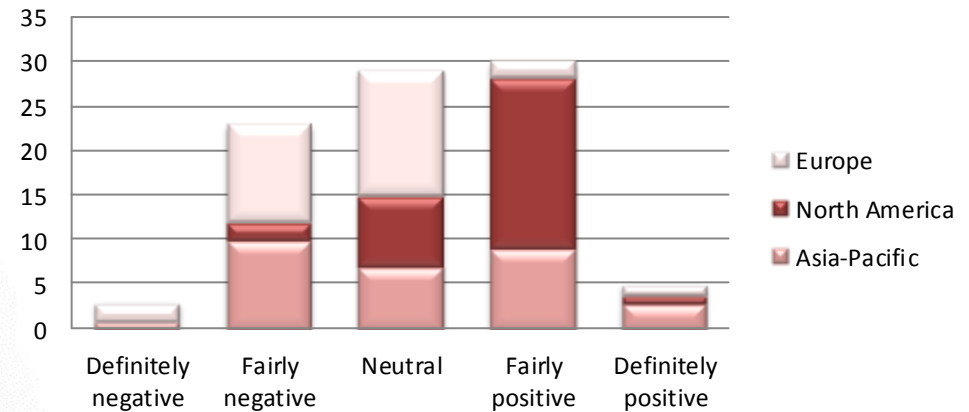


Figure 5: Six-month economic outlook

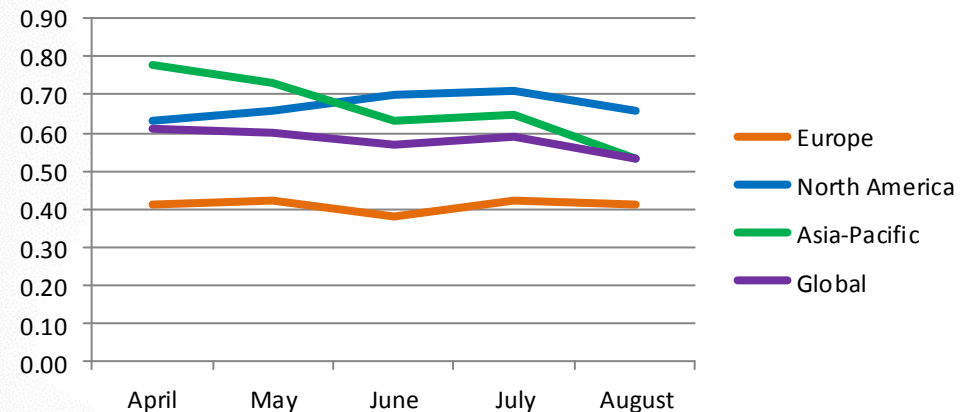


Figure 6: Six-month economic sentiment index

Three-year economic outlook

Parameter/Region	Global	Europe	North America	Asia-Pacific
Median	0.75	0.50	0.75	0.75
Mean (DBSI)	0.65 ↓(0.01)	0.56 ↑(0.05)	0.71 ↓(0.02)	0.69 ↓(0.04)
Mode	0.75	0.75	0.75	0.75
Standard Deviation	0.24 ↓(0.03)	0.23 ↓(0.02)	0.24 ↑(0.01)	0.21 ↓(0.06)

Figure 7 presents the three-year economic outlook for Europe, North America, and Asia-Pacific. The three-year global economic outlook worsened for a third consecutive month to 0.65 from 0.66 the prior month.

The three-year European economic sentiment index gained 0.05 to 0.56 in August. Thirteen respondents (43%) say the outlook is “fairly” or “definitely” positive. Twelve (40%) claim that the three-year economic outlook is “neutral” and five (17%) say that the outlook is negative.

The North American three-year economic prospects deteriorated 0.02 to 0.71 in August, the lowest level in nine months. An absolute majority of respondents (84%) say the long-term economic outlook is either “fairly” or “definitely” positive and four (13%) claim prospects are negative.

The Asia-Pacific economic sentiment index declined to 0.69 from 0.73 the previous month. Nineteen experts (63%) say prospects are “fairly” or “definitely” positive.

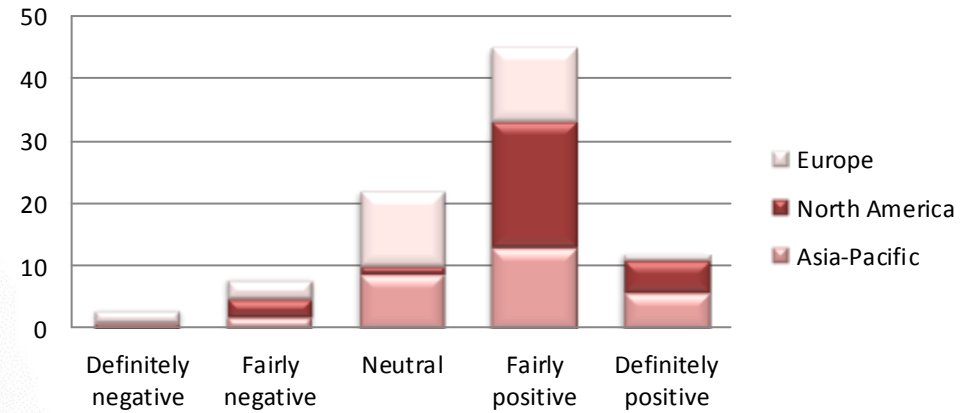


Figure 7: Three-year economic outlook

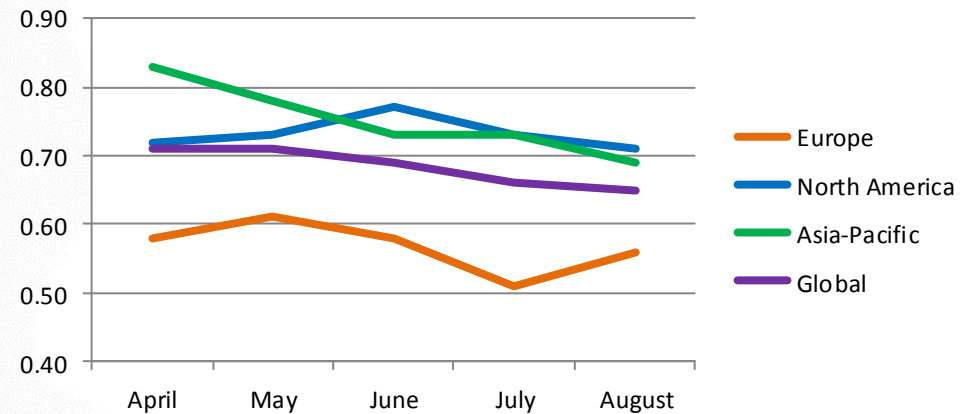


Figure 8: Three-year economic sentiment index

Economic outlook comparison

Parameter/Region	Europe		North America		Asia-Pacific	
	Local experts	Foreign experts	Local experts	Foreign experts	Local experts	Foreign experts
6-month economic outlook	0.45	0.39	0.65	0.66	0.50	0.54
3-year economic outlook	0.60	0.54	0.60	0.76	0.78	0.65

Figure 9 presents a discrepancy in views on the economic outlook among local and foreign experts. August poll results reveal that respondents from Europe are more optimistic about local economic growth compared to their colleagues from overseas.

Europe: Respondents from Europe are more optimistic about the regional six-month and three-year economic growth prospects (0.45 vs. 0.39 and 0.60 vs. 0.54 respectively).

North America: Local experts are less optimistic about the North American six-month economic prospects (0.65 vs. 0.66). The discrepancy in opinions widens to an enormous -0.16 for the three-year economic outlook.

Asia-Pacific: Local respondents are less optimistic (0.50) about Asia-Pacific six-month economic prospects compared to foreign experts (0.54). The discrepancy in views reverses to a positive 0.13 for the three-year economic outlook.

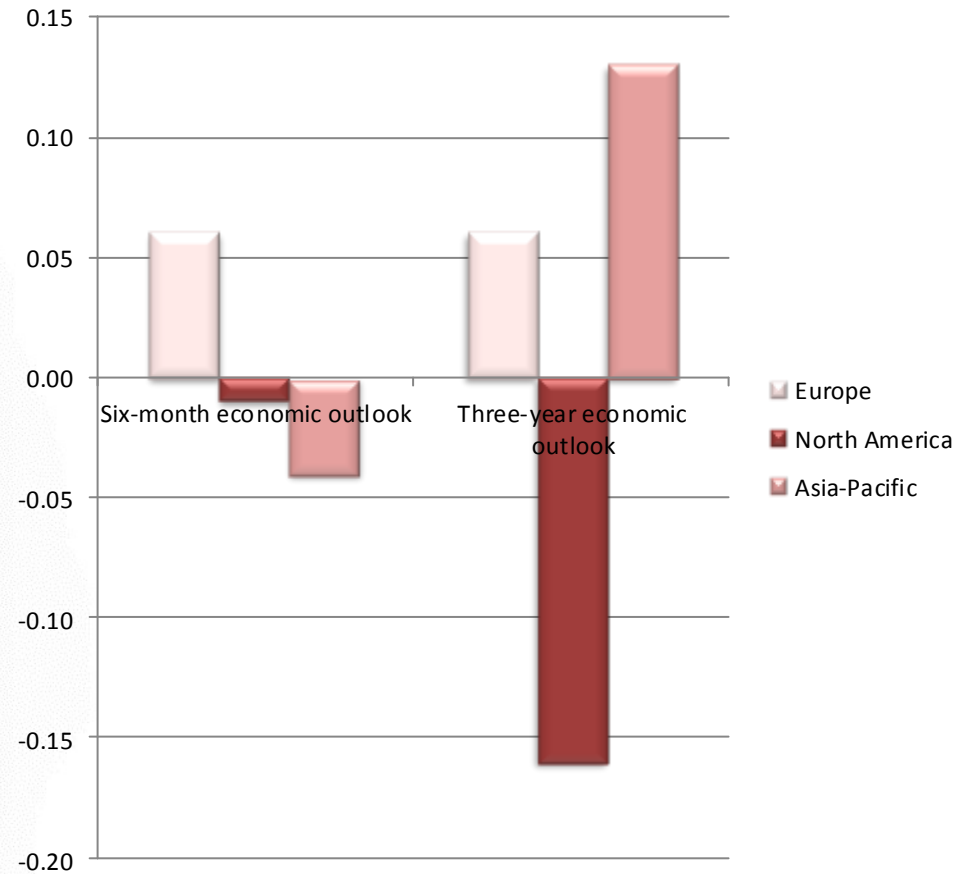


Figure 9: Discrepancy in views on economic outlook among local and foreign experts (*1)

Explanations

Description

Starting from November 2011, Dukascopy Bank SA is publishing a monthly Dukascopy Bank Sentiment Index (DBSI). The index is based on a survey of 30 experts from academia (10 from every region in focus), who are asked to assess future (six-month and three-year) economic prospects of the three regions: Europe, North America and Asia-Pacific.

The DBSI can take values from 0 to 1 as outlined below.

Value	Outlook
0	Extremely negative
0 – 0.5	Negative
0.5	Balanced
0.5 – 1	Positive
1	Extremely positive

Parameters

- Median – the middle observation in a data set;
- Mean – the sum of the values divided by the number of values;
- Mode – the value that occurs most frequently in a data set;
- Standard deviation – the variation from the average (mean).

Calculations

(*1) – difference between local experts mean estimate and foreign experts mean estimate.

Universities that have participated in August's poll

Belmont University, University of Akron, Clemson University, Miami University, University of South Carolina, University of South Dakota, Duquesne University, Pace University, Baylor University, University of Economics, Prague, Stockholm School of Economics, European University Institute, University of Reading, University of Strathclyde, University College Dublin, Erasmus University Rotterdam, University of Vienna, ESCP Europe, Indian Institute of Foreign Trade, Delhi University, Indian Institute of Management Bangalore, Woosong University, Indian Institute of Management Kozhikode, Bharathidasan Institute of Management, Case Western Reserve University, Xavier University



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